STATEMENT

of the

MILITARY OFFICERS ASSOCIATION OF AMERICA

on the

FY 2006 Department of Veterans Affairs Budget Request

before the

Committee on Veterans Affairs
U.S. House of Representatives

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Presented by

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MR. CHAIRMAN AND DISTINGUISHED MEMBERS OF THE COMMITTEE. On behalf of the nearly 370,000 members of the Military Officers Association of America (MOAA), I am honored to have this opportunity to express our views today concerning the administration's FY 2006 Dept. of Veterans' Affairs Budget Request.

MOAA does not receive any grants or contracts from the federal government.

VETERANS HEALTH CARE BUDGET

Overview. The FY 2006 VA Medical Care Budget includes $28.1 billion in discretionary appropriations and $2.6 billion in increased collections for a total of $30.7 billion for VA medical care. With the collections, the VA medical care budget increases by only 2.5% compared to FY 2005. The Budget projects a drop of 203,000 veteran patients from the system due to the imposition of an annual usage fee of $250 and increased drug copays on lower priority veterans. Overall, assuming medical inflation and increased usage by disabled and other higher priority veterans, as shown in the Budget, MOAA is concerned that the VA Medical Budget Request reflects negative growth between FY 2005 and 2006.

Strengths and Opportunities

Quality and Safety. By many measures, the VA health care system leads the nation in quality of care and patient safety (see, for example, Washington Monthly, Jan / Feb 2005: "The Best Care Anywhere"). MOAA notes that the FY 2006 VHA Budget sustains or slightly increases "key performance measures" (access standards, including primary and specialty care appointments, and so forth) and includes an increase of $975.2 million to support care provided in community-based outpatient clinics (CBOCs).

Care for Enrolled Veterans. The Budget projects an increase in demand of veteran patients (system "users") with disabilities, special needs, Purple Heart recipients and the indigent. In FY 2005 3.6 million veterans in these groups received care and the Budget projects an additional 107,000 veterans – 3.7 million total – who will receive care in FY 2006. The Budget, however, projects a decline of 203,000 veteran patients in the lower priority groups, PG 7s and 8s, from 1.2 million users in 2005 to just over 1 million in 2006. This issue will be addressed later in this statement.

Mental Health Care. Recent studies project that 1 out of 6 servicemembers returning from Iraq and Afghanistan will need care at some point in their lives for PTSD and other mental health conditions. The Budget begins to address the growing need for additional clinical capacity for mental health services for veterans and their families. It includes an increase of $100 million in obligations over 2005, and funds an additional 627 Full-Time Equivalent (FTE) positions to support the VA's Mental Health Strategic Plan.

Planning, Care and Support for Separating Servicemembers and their Families – "Seamless Transition". Thanks in part to the work of the President's Task Force (PTF) to Improve Health Care Delivery for Our Nation's Veterans (May 2003), and the efforts of former VA Secretary Tony Principi, DoD and VA have taken further steps to improve the coordination of care and

services to separating Active Duty, National Guard, and Reserve servicemembers and their families. MOAA notes that a senior level DoD – VA planning and coordination structure is now in place and other initiatives are being realized to some degree. Much more needs to be done, however, to ensure that DoD and the VA work more closely together to assist and support those who have "borne the battle, and their widow(er)s and orphans."

CARES – Capital Asset Realignment for Enhanced Services. In May 2004, the Secretary of Veterans Affairs announced the national plan to support the CARES process. The Budget includes $750 million in new construction for CARES. MOAA urges continued emphasis on the key letter, "E", in the CARES acronym: enhancement of services for those who have worn the nation's uniform.

Exemption from Co-pays and Emergent Care Reimbursement. MOAA is pleased to note that the Budget Request proposes to eliminate co-payments for veterans receiving hospice care and for former Prisoners of War. In addition, the budget includes a provision to allow the VA to pay for emergency room care received in non-VA facilities for enrolled veterans.

Challenges and Concerns

Enrollment Policy During a Time of War. MOAA recognizes that the Veterans Eligibility Reform Act of 1996 distinguishes between veterans who "shall" be provided care and those for whom the VA "may" provide care, if Congress agrees to fund their care. When the new enrollment system was implemented in 1998 and continuing through late 2002, the VA -- under two different administrations -- invited all honorably discharged veterans to enroll. This policy doubled enrollment and sharply increased demand for care.

Open enrollment was a deliberate policy decision that enabled the VA health system to transform from a hospital-based, "fix what's broken" delivery model to an outpatient-oriented system with hundreds of new VA community-based clinics. With the exception of severely disabled veterans, all enrollees had to agree to pay drug co-payments for non-service connected prescriptions. Enrollees were not required to pay usage or enrollment fees.

Although Congress increased VA funding during and after the open enrollment era, there were insufficient funds to keep pace with the rising demand. Waiting lists increased to unacceptable levels. Consequently, VA took steps to "triage" demand. It closed future enrollment to a newly established Priority Group 8 category. Later, it instituted policies to ensure disabled and other higher priority veterans had assured access to VA appointments, a policy MOAA supported.

The Budget Request estimates that the proposed usage fees and higher drug copays will drive about 203,000 Priority Group 7 and 8 enrolled veterans from the system. Although some of these veterans may have other health insurance options, others do not. They accepted the VA's offer to get their care in the system and now they should not be forced to take on increased fees to ensure their continued access.

MOAA is disappointed that the VA Budget Request proposes to impose an annual $250 usage fee on lowest priority veterans whom it earlier had welcomed into the system to help it meet its transformation goals. For many of them, the imposition of the fees will be perceived as a "bait and switch" tactic.

MOAA believes that the imposition of a $250 annual usage fee on some enrolled veterans sends the wrong signal during a time of war to our nation's warriors past, present, and future. We urge the Committee to exempt all currently enrolled veterans from annual usage fees and higher drug copays.

Full-Funding for All Enrolled Veterans. MOAA is disappointed that the administration has not taken more aggressive action to implement the strong recommendations of the PTF that Congress provide full funding for all veterans enrolled in Priority Groups 1-7 and resolve the situation of Priority 8 veterans' care. Sadly, however, it appears that little attention has been paid to this recommendation. No legislation has been proposed by the administration to establish full funding for enrolled veterans – either by a mandatory mechanism or some other means as recommended by the PTF.

MOAA continues to recommend that the Committee and Congress respond to the recommendations in the PTF Report by establishing a stable, sustainable funding mechanism to ensure for the care of all veterans the VA has accepted for care.

New Generation of Veterans. Since September 11, 2001, the nation has sent hundreds of thousands of service men and women into harms way. Many troops are on their second or third rotations to combat zones in Iraq and Afghanistan and more than 10,000 have been physically wounded.

The toll on the wounded in mind and spirit is not precisely known, but experts predict that one out of six soldiers will require mental health care now or in the future.

The VA has responded to this growing demand by waiving all enrollment criteria for separating troops who have served in a combat theatre. Returning veterans are enrolled in Priority Group 6 for two years. If they receive a service-related disability rating during that time, they may continue to receive care in PG 1 to 3.

Among the returning combat theatre veterans are more than 470,000 men and women of the National Guard and Reserve forces who qualify as veterans as a result of their service in the Afghanistan and Iraq campaigns.

Earlier in this testimony, we noted that the VA Budget projects an increase in resources for mental health services. Overall, however, the budget understates the growing demand for health services, projecting only an additional 107,000 users (PG 1-6) between FY 2005 and 2006. Based on VA enrollment data of returning combat veterans under the two-year "open enrollment" policy, however, it's almost certain that there will be substantially higher demand on the VA system.

MOAA strongly urges Congress to provide additional resources to meet the needs of separating servicemembers during the ongoing war on terror and to plan for sufficient additional resources for the care of those returning from repetitive deployments.

'Seamless Transition' Initiatives Must Include Family Needs. MOAA continues to support DoD-VA efforts to improve health care and services for our servicemembers as part of the shared goal of achieving 'seamless transition'. While much has been done, there is an urgent need to provide more outreach and support to returning servicemembers and their families, particularly those

severely wounded. Responsibility for support is a shared responsibility between multiple offices and agencies within the DoD, and the Departments of Veterans Affairs and Labor communities.

The impact on spouses and family members and the decisions they will have to make when they learn their loved one in the military has been injured are tremendous. A care management approach that helps these families navigate complicated health care, benefits, employment and transition systems and programs will help alleviate some of the enormous burdens these families must bear.

MOAA urges Congress to provide the necessary resources to ensure DoD and VA have the appropriate education, training, pre-clinical and consultations services, including family counseling, screening, and clinical services to meet the longer-term medical and support needs of our combat veterans and their families.

Policy, Planning and Technical Support of 'Seamless Transition'. Veterans of past conflicts often got sub-par services due to lack of adequate procedures, policies, and technologies supporting their transition from the armed forces into the VA. Given the unknown duration of the war on terror, there is a unique opportunity today to fix processes that in the past have hampered the delivery of services to our nation's servicemembers and veterans. The PTF made a special point of highlighting the importance of getting transition services right not only for our nation's veterans but to also to advance the more effective and efficient use of taxpayer resources.

As a nation, we have the technical capacity to develop and implement seamless transition initiatives. A country that can place robots on Mars to explore that distant and hostile environment, can, if there is a shared sense of urgency, refine and improve the technology and processes that support transition from military service. These initiatives include development of bi-directional, electronic medical records between the DoD and the VA, expansion and standardization of the benefits-delivery-at-discharge (BDD) program, a "one-stop" separation physical, and an electronic DD-214 service record.

MOAA recommends that the Committee arrange for a joint full Committee hearing with the Committee on Armed Services to review progress on "seamless transition" initiatives and to identify funds and other resources to accelerate improvement of services for separating veterans.

Gaps in CARES. MOAA and others have noted that the CARES planning process does not include planning for mental health services and long-term care. MOAA continues to urge inclusion of those requirements in ongoing facilities decisions resulting from the CARES process.

CARES and DoD Facilities Planning Process. The VA Budget Request includes $15 million to advance DoD – VA facilities collaboration. It is not clear whether ongoing or planned projects have been integrated in the CARES process or DoD's preparation for the next round of military base realignment and closure -- BRAC. MOAA maintains that these collaborative projects must include as an outcome measure the enhancement of service to eligible veterans and servicemembers.

MOAA urges the Committee to closely monitor use of funds for VA-DoD facilities collaboration and to judge sharing projects on whether they improve access and quality of care for all eligible beneficiaries.

Medical Care Collections Fund (MCCF). The Budget Request projects a very large increase of $635 million in MCCF, a hefty 32% increase over 2005. The Budget indicates some of the increase is attributable to a consolidation of other accounts into MCCF. However, the Budget does not present much backup information to substantiate how the projected MCCF increases will be realized. The Budget Request is banking largely on the MCCF to achieve a 2.5% increase in the VA medical care business line, but MOAA must question the reliability of the projection without additional detail on how this will be achieved.

Shortages of Medical Professionals. The Budget Request projects a decline of nearly 1100 registered nurses between 2005 and 2006. With the exception of a modest increase of 50 physicians, other disciplines show a decline including, LPNs, non-physician providers, health technicians / allied health specialists, and other FTE service delivery positions. The Budget includes initiatives to help address nursing and other shortages. These may indeed help, but the Committee may need to target additional resources to sustain medical capacity going forward.

Preserving Access to Earned Health Benefits – no "forced choice". MOAA appreciates the leadership shown by Congress in protecting dual-eligible veterans' access to all earned health care benefits. Dual-eligible veterans are military retirees whose careers of service to the nation entitles them to lifetime health coverage under TRICARE and eligibility for enrollment in VA health care. However, some administration officials have recommended that military retired veterans should be compelled to relinquish one health benefit or the other, a concept we call "forced choice."

A better solution is to develop effective reimbursement procedures between DoD and VA, and we note some progress in this area by the DoD – VA Health Executive Council. Agency-level coordination mechanisms must be designed in ways that foster budget coordination and reconciliation without placing the burden or the blame on the backs of those who have earned dual-access to VA and DoD health care services.

MOAA appreciates the Committee's prior support in opposing "forced choice" proposals that would compel dual-eligible veterans to relinquish access to either DoD or VA-sponsored health care services.

VETERANS BENEFITS

Overview. The 2005 VA Budget Request includes $37.4 billion for entitlement costs associated with benefits administered by the Veterans Benefits Administration (VBA). Additional funds are identified in the Budget Request for improving compensation claims processing and the management of benefits programs including disability compensation; pensions; education; vocational rehabilitation and employment; and life insurance.

Strengths and Opportunities

Burial Program. MOAA is pleased to note that the Budget Request includes funds for continued expansion and improvement of national cemeteries. The Budget contains $90 million for

construction projects, including funds for the purchase of land for six new national cemeteries in Bakersfield, CA; Birmingham, AL.; Columbia-Greenville, SC; Jacksonville, FL.; Sarasota, FL; and southeastern Pennsylvania; and expansion of the Fort Rosecrans Annex in Miramar, CA. The budget also includes $32 million for new state cemetery grants.

Challenges and Concerns

Disability Claims: Quality and Process Improvements Needed. The VA Budget Request states that in 2004, initial VA claims averaged 120 days to process. But, 21% of all claims averaged over 6 months to complete. Achieving a consistent output of quality claims – reducing errors and making sound initial judgments -- has eluded the claims system. We note that the VA Budget supports an increase of 113 FTE in the claims business. However, the Budget states that the average time to process an initial claim will increase to 145 days in 2006 for a variety of reasons. This trend is going in the wrong direction and must be reversed to be fair to returning disabled veterans. Clearly, the VA needs to model the processes used by successful "tiger teams" and replicate them throughout the system. Additional investment in training, FTE, and technology also will be needed to reach sustainable quality and timeliness goals.

MOAA supports increases in claims-workers, technology, and training in the VA Budget to reach and sustain performance goals.

Survivor Benefits. MOAA appreciates the leadership of many members of Congress in recognizing that death gratuity benefits and Servicemembers Group Life Insurance (SGLI) limits are insufficient to help the survivors and dependents of our nation's fallen defenders. MOAA is confident that most Americans recognize raising these benefits is the very least that a grateful nation can and should do for the survivors of those who have made the ultimate sacrifice. Large private sector companies typically provide free insurance equal to two years' salary, up to some six-figure cap. Service men and women sent into harms' way to protect the nation deserve no less.

MOAA recommends the Committee authorize $100K of SGLI coverage free of charge to all who purchase $300K, and guaranteed free $150K coverage for all assigned to combat zone. If a premium increase is needed, MOAA strongly recommends that it be structured so that the government, not the servicemember, picks up the extra cost.

Stress on Armed Forces Recruiting and the Role of the Montgomery GI Bill

Rising pressures on the nation's armed forces – Active Duty, National Guard, and Reserve – are having an enormous impact on the ability of the Services to recruit and retain young men and women to military service. In January for the first time in ten years, the Marine Corps missed its recruiting target. The National Guard has fallen short of its annual enlistment objectives by more than 10% in the last two years.

MOAA appreciates the increases in enlistment and reenlistment bonuses Congress enacted in last year's National Defense Authorization Act (P.L. 108-767). More may be needed in that regard. In addition, we believe that the Montgomery GI Bill (MGIB) must be re-designed and improved to support armed forces recruiting and retention programs. With jurisdiction over GI Bill programs, the Committee can play a critical role in supporting the Services in meeting their recruiting goals.

Unlike earlier postwar GI Bill education programs, a fundamental objective of the modern MGIB is support of active duty and reserve forces recruitment. Now more than ever, the MGIB must be improved to help struggling recruiters "make mission" and sustain military readiness.

Active Duty MGIB (Chapter 30, Title 38 USC). On 1 October 2004, MGIB-Active Duty rates increased to $1004 per month for 36 months of full-time study under a three-year or longer enlistment. Dept. of Education data show that the MGIB-AD covers only 63% of the cost of expenses at the average four-year public college or university education, assuming full-time use of benefits.

Active duty troops may use all of their MGIB benefits on active duty, but the reimbursement rate is actually lower than the rate they would get if they separated (Section 3032, Title 38 USC). A lower active duty reimbursement rate may serve as a disincentive to reenlistment.

Recommendations for the Active Duty MGIB:

1. **Benchmark MGIB-AD rates to the average cost of a four-year public college or university education.** Despite significant increases in MGIB benefits in recent years, benefits support only 63% of the actual costs of an education at the average four-year college or university. Benchmarking MGIB benefit levels to the cost of education would be a powerful tool for armed forces recruiting.
2. **Eliminate the MGIB-AD enrollment fee.** College students receive generous federal loans for their education from their government with no obligation of service to the nation and no upfront payments. Conversely, young Americans who volunteer to serve in the Armed Forces are automatically docked a substantial portion of their first year's pay in order to enroll in the MGIB-AD. If they decide to leave the service but do not use remaining MGIB-SR entitlement, there is no authority to recover the $1200 fee.
3. **Enrollment Option for Career Servicemembers who Declined "VEAP".** 63,000 career servicemembers on active duty today declined to enroll in "VEAP" – the Post-Vietnam EraVeterans Education Assistance Program (Chapter 32, 38 USC) – on the advice of military recruiters. In many cases, they were told that they would do better to invest the VEAP enrollment fee of $2700 and wait to enroll in the coming Montgomery GI Bill. They deserve one opportunity to enroll in the MGIB prior to retirement.
4. **Equalize MGIB reimbursement rates for AD servicemembers with the reimbursement rates for veterans.** Section 3032 of Chapter 30 lowers reimbursement rates for the MGIB for servicemembers who use their benefits on active duty under certain circumstances. At one time, this provision may have served a useful purpose, but today the authority results in inequitable benefit reimbursement if a servicemember takes courses or training on active duty to advance professional qualifications and attain personal goals.
5. **Transferability of Benefits.** About two-thirds of today's force is married. Many reenlistment decisions are based on family needs. MOAA supports the concept of permitting transfer of up to one-half of remaining MGIB entitlement to immediate family members for those who commit to serve a military career (e.g., those who commit to serve at least 14 years normally will later complete 20 or more years service).

Selected Reserve MGIB (Chapter 1606, Title 10 USC). MGIB-SR rates originally were set at 47% of MGIB-AD rates when the program began on 1 July 1985. That ratio was maintained for 14 years until 1999, when Congress enacted a series of rate increases for the MGIB-AD alone.

Consequently, MGIB-SR rates began to drop proportional to AD rates and today the present ratio to active duty rates is 28.7%. On October 1, MGIB-SR rates received a COLA increase to $288 per month for 36 months under a six-year Selected Reserve enlistment.

MOAA appreciates the increase in MGIB benefits for mobilized Guard and Reserve troops enacted last year. The FY2005 National Defense Authorization contains new authority for members of the Selected Reserve called-up to active duty to participate in the MGIB-AD on a proportional basis of 40% for 90 days service up to 80% for two years service. We believe, however, that more aggressive measures are needed to buttress recruiting among Guard and Reserve forces.

MGIB –Selected Reserve Recommendations:

1. **Restore proportional parity between the MGIB-SR and the MGIB-AD.** To support Guard and Reserve recruitment, MGIB-SR rates should be restored to about 50% of MGIB-AD rates and adjusted automatically with any future changes in the Chapter 30 program.
2. **Establish a transition or reenlistment benefit for the MGIB-SR.** The MGIB-SR has no value as a veteran's benefit since participants must remain in the Selected Reserve to retain eligibility. MOAA is grateful to Congress for the recent extension of the in-service usage period from 10 years to 14 years. However, due to the radically changed nature of reserve service, the MGIB-SR should be structurally aligned with the MGIB-AD. Servicemembers who complete their service agreement should be able to use remaining entitlement after separation; alternatively, benefit rates should be raised for those who agree to reenlist or extend their service.
3. **Permit Aggregate Active Duty Service in a contingency operation to qualify for MGIB-AD benefits.** P.L. 108-767 contains expanded authority for reservists who serve on active duty since 9/11 to qualify for pro-rated MGIB-AD benefits: 90 days to 12 months = 40% MGIB-AD; at least one year but less than two years = 60% MGIB-AD; two years = 80% MGIB-AD. Due to erratic and inconsistent call-up practices, Guard and Reserve troops who aggregate up to two years active duty since 9/11 should be afforded a full MGIB-AD enrollment opportunity if they agree to continuous Selected Reserve service as required in Section 3012 of Title 38 USC.
4. **Open licensing / certification tests and high technology courses to MGIB-SR participants.** Today's educational system provides students with the opportunity to enroll in a variety of nontraditional courses offered through multiple venues. To allow the Selected Reserve the flexibility to take advantage of these educational opportunities, the MGIB-SR rules should be amended to allow accelerated lump sum payments of 60% of tuition and fees for short term, high tech courses. In addition, participants should be able to use up to $1000.00 entitlement for tests to obtain a license or certification. Both options are currently offered to the MGIB-AD participants, but <u>not</u> MGIB-SR participants.

MOAA urges the Committee to recommend additional resources to "re-tool" the MGIB for the 21st Century force. A total force on the battlefield – Active Duty, Guard, and Reserve – must be supported by a total force approach to the GI Bill for the benefit of recruiting and retention and the post-service transition of those who have worn the nation's uniform.

Retention of Dependency and Indemnity Compensation (DIC) for Remarried Spouses. MOAA

commends this Committee and Congress for enacting legislation to allow retention of DIC for eligible surviving spouses who remarry after age 57.

MOAA supports lowering the DIC Remarriage Age to 55 to align the benefit with all other Federal survivor remarriage programs. MOAA recommends the Committee earmark the funding needed for this adjustment.

Conclusion

The Military Officers Association of America greatly appreciates the opportunity to present our views on funding priorities for the administration's FY 2006 budget submission for the Department of Veterans Affairs. MOAA is very appreciative of the support provided to servicemembers and veterans in the past and we look forward to working with the leadership of the Committee and its distinguished members to ensure full funding for veterans health care and benefits programs.

Biography of Robert F. Norton, COL, USA (Ret.)
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Co-Chair, Veterans' Committee, The Military Coalition

A native New Yorker, Bob Norton was born in Brooklyn and raised on Long Island. Following graduation from college in 1966, he enlisted in the U.S. Army as a private, completed officer candidate school, and was commissioned a second lieutenant of infantry in August 1967. He served a tour in South Vietnam (1968-1969) as a civil affairs platoon leader supporting the 196th Infantry Brigade in I Corps. He transferred to the U.S. Army Reserve in 1969 and pursued a teaching career at the secondary school level. He joined the 356th Civil Affairs Brigade (USAR), Bronx, NY and served in various staff positions from 1972-1978.

Colonel Norton volunteered for active duty in 1978 and was among the first group of USAR officers to affiliate with the "active Guard and Reserve" (AGR) program on full-time active duty. Assignments included the Office of the Deputy Chief of Staff for Personnel, Army Staff; advisor to the Asst. Secretary of the Army (Manpower & Reserve Affairs); and personnel policy and plans officer for the Chief, Army Reserve.

Colonel Norton served two tours in the Office of the Secretary of Defense (OSD). He was responsible for implementing the Reserve Montgomery GI Bill as a staff officer in Reserve Affairs, OSD. From 1989 –1994, he was the senior military assistant to the Assistant Secretary of Defense for Reserve Affairs, where he was responsible for advising the Asst. Secretary and coordinating a staff of over 90 military and civilian personnel. During this tour, Reserve Affairs oversaw the call-up of more than 250,000 National Guard and Reserve component troops for the Persian Gulf War. Colonel Norton completed his career as special assistant to the Principal Deputy Asst. Secretary of Defense, Special Operations / Low Intensity Conflict and retired in 1995.

In 1995, Colonel Norton joined Analytic Services, Inc. (ANSER), Arlington, VA as a senior operational planner supporting various clients including UN humanitarian organizations and the U.S. Air Force's counterproliferation office. He joined MOAA's national headquarters as Deputy Director of Government Relations in March 1997.

Colonel Norton holds a B.A. in philosophy from Niagara University (1966) and a Master of Science (Education) from Canisius College, Buffalo (1971). He is a graduate of the U.S. Army Command and General Staff College, the U.S. Army War College, and Harvard University's Senior Officials in National Security course at the Kennedy School of Government.

Colonel Norton's military awards include the Legion of Merit, Defense Superior Service Medal, Bronze Star, Vietnam Service Medal, Armed Forces Reserve Medal, Army Staff Identification Badge and Office of the Secretary of Defense Identification Badge.

Colonel Norton is married to the former Colleen Krebs. The Nortons have two grown children and reside in Derwood, Maryland.